



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
**Two Gateway Center**  
**Newark, NJ 07102**  
[www.bpu.state.nj.us](http://www.bpu.state.nj.us)

AUDITS

IN THE MATTER OF THE FOCUSED AUDIT OF )  
ELIZABETHTOWN GAS COMPANY, NUI ) ORDER  
UTILITIES, INC. AND NUI CORPORATION )  
DOCKET NO. GA03030213

(SERVICE LIST ATTACHED)

BY THE BOARD:

At its March 20, 2003 agenda meeting, the Board of Public Utilities ("Board") directed the initiation of a focused audit of Elizabethtown Gas Company ("Elizabethtown Gas" or "ETG"), a gas public utility and division of NUI Utilities, Inc. ("NUI Utilities"). The Board initiated the focused audit of NUI Utilities and its parent holding company, NUI Corporation ("NUI"), and all of its subsidiaries (collectively, all of the foregoing are at times referred to herein as "the company"). The Board initiated the focused audit because credit downgrades of the senior unsecured debt of NUI and NUI Utilities, as well as concerns raised during a competitive services audit of Elizabethtown Gas in Docket No. GA02020099, substantiated the need for an in-depth review of the financial practices of the company and its affiliates.

The Board has received Liberty Consulting, Inc.'s ("Liberty") Interim Focused Audit Report, which has been reviewed by the Board and its Staff. The Board HEREBY acknowledges the release of this report, which can be accessed on our website ([www.bpu.state.nj.us](http://www.bpu.state.nj.us)).

Pursuant to the December 5, 2003 Board meeting, the company must comply with several directives by January 2, 2004. Board Staff will continue to meet with management at NUI and NUI Utilities to ensure the compliance of these directives by that date, if not sooner. The Board expects to receive Liberty's Final Audit Report in January, and will again, act accordingly. The customers of Elizabethtown Gas remain the first priority of this Board, and we will continue to ensure that customers receive safe, adequate, and proper service.

Further, on September 26, 2003, the Board of Directors of NUI announced that as a result of the negative impact on the company arising from recent credit downgrades and adverse business conditions, it was pursuing the sale of the company. The Board seeks to ensure that the process for selling the company is transparent, independent, and timely. Pursuant to N.J.S.A. 48:2-51.1, all persons who acquire or seek to acquire control of a public utility directly or indirectly must receive the written approval of the Board. Additionally, by its Order in this docket dated October 30, 2003, the Board ordered NUI to "work with Board Staff, or its designated representatives, to identify the sale process activities that require monitoring and commit to

cooperating with Staff and other Board representatives to assure that such monitoring takes place on a timely and effective basis.”

For the foregoing reasons, the Board HEREBY ORDERS:

1. The company shall provide a copy of all indicative bids to designated Board Staff and Liberty Consulting representatives by close of business on December 17, 2003, in order to ensure the Board has adequate opportunity to review the bidding analysis. This directive was made to the company at the close of the Agenda meeting held on December 17, 2003.
2. The company shall provide Board Staff and Liberty Consulting with real-time access to the analytical work done by Credit Suisse First Boston (“CSFB”) to evaluate the indicative bids.
3. The company shall provide Board Staff and Liberty Consulting with real-time access to the CSFB analytical team.
4. The company shall not proceed to the next phase of the bidding process without approval. Specifically, the company may not limit the field of bidders eligible for the next stage of the sale process without the approval of the Board’s Executive Director, John Stanziola. Director Stanziola will inform the Commissioners of developments, and the Board is prepared, if necessary, to conduct an emergency meeting as may be necessary.

Furthermore, in fulfilling its duties to the ratepayers and the public under N.J.S.A. 48:2-1 et seq., the Board hereby directs the company to provide Board Staff and Liberty Consulting, by close of business today, with a current update of a 13-month cash flow forecast and a current run of a stress test indicating the affects of higher-than-forecasted natural gas prices.

DATED: 12/18/03

BOARD OF PUBLIC UTILITIES  
BY:

**(SIGNED)**

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JEANNE M. FOX  
PRESIDENT

**(SIGNED)**

\_\_\_\_\_  
FREDERICK F. BUTLER  
COMMISSIONER

**(SIGNED)**

\_\_\_\_\_  
CAROL J. MURPHY  
COMMISSIONER

**(SIGNED)**

\_\_\_\_\_  
CONNIE O. HUGHES  
COMMISSIONER

**(SIGNED)**

\_\_\_\_\_  
JACK ALTER  
COMMISSIONER

ATTEST:

**(SIGNED)**

KRISTI IZZO  
SECRETARY